Received: March 23, 2018
IURC 30-Day Filing No.: 50125
Indiana Utility Regulatory Commission

March 23, 2018

Mary Becerra
Secretary of the Commission
Indiana Utility Regulatory Commission
101 West Washington Street, Suite 1500 E
Indianapolis, Indiana 46204
mbecerra@urc.in.gov
Electronically delivered

RE: I&M's 30-day filing on March 1, IURC 30-Day Filing No. 50125.

Objection to Indiana Michigan Power Company's 30-Day Filing on behalf of Citizens Action Coalition and the Environmental Law & Policy Center

Pursuant to the guidelines for submitting an objection to a 30-day filing as outlined on the Commission's website at https://www.in.gov/iurc/2519.htm, Citizens Action Coalition ("CAC") and the Environmental Law & Policy Center ("ELPC") (collectively "Objectors") respectfully submit this Objection to the 30-day filing made by Indiana Michigan Power Company ("I&M") on March 1, 2018, IURC 30-Day Filing No. 50125. I&M's 30-day filing is attached as Exhibit A.

I&M's 30-day filing concerns its obligations under the Public Utility Regulatory Policies Act ("PURPA"), including PURPA's implementing regulations and Indiana's PURPA implementation. *See generally* 18 CFR § 292.101, *et seq*.; Burns Ind. Code Ann. § 8-1-2.4-1, *et seq*.; 170 IAC 4-4.1-1 *et seq*. PURPA requires electric utilities to purchase energy and capacity from qualifying facilities ("QFs"), and the rate for these mandatory purchases are based on the utility's avoided costs. *See* 18 C.F.R. §§ 292.303, 292.304.

An objection is valid if it alleges that a 30-day filing is in violation of applicable law or the filing is incomplete. *See* 170 IAC 1-6-7(b)(2)(A)(i), (b)(2)(C)(i). I&M's 30-day filing violates applicable law by failing to include a standard contract as required by 170 IAC 4-4.1-11 and by failing to include avoided cost information required by 18 C.F.R. § 292.302(b)(2)-(3). The failure to provide this legally required information violates applicable law and constitutes an incomplete filing.

I&M's failure to provide a long-term standard contract with a fixed-rate inhibits development of QFs in Indiana and violates the state's policy to "encourage the development of alternate energy production facilities." Burns Ind. Code Ann. § 8-1-2.4-1. Increased QF development would introduce additional competition into Indiana's market by enabling private QF development at the utility's own avoided costs. Thus, PURPA is not a "subsidy" program for renewable energy. Instead, it is a cost-neutral policy that protects ratepayers by creating downward pressure on utility costs.

ELPC and CAC respectfully request that the Commission deny I&M's 30-day filing and open a statewide docket to investigate and establish modernized PURPA implementation

methodologies that will enable Indiana utilities to comply with state and federal law.

BACKGROUND ON OBJECTORS

CAC is a 501(c)(4) membership organization of organizations and more than 40,000 individual members and contributors throughout the State of Indiana. CAC initiates, facilitates, and coordinates citizen action directed at improving the quality of life of all Indiana residents through principled advocacy of public policies that, among other things, promote government accountability and protect consumers and ratepayers. CAC and its members have an interest in promoting the development and availability of renewable energy through implementation of PURPA and are likely to suffer an injury if I&M does not comply with its obligations under PURPA.

ELPC is a 501(c)(3) public interest organization that works to achieve cleaner air and water, promote renewable energy and energy efficiency resources, and preserve natural resources in Indiana and the Midwest. ELPC has an office located in Indianapolis and has members throughout the state of Indiana and the Midwest. On behalf of itself and its members, ELPC played a significant role in recent proceedings in Michigan, Iowa, and Minnesota where those states updated their implementation of PURPA. ELPC and its members have an interest in promoting the development and availability of renewable energy through implementation of PURPA and are likely to suffer an injury if I&M does not comply with its obligations under PURPA.

BACKGROUND ON PURPA

Congress enacted PURPA to "encourage the development of cogeneration and small power production facilities." *Am. Paper Inst. v. Am. Elec. Power Serv. Corp*., 461 U.S. 402, 405 (1983). PURPA combats an inefficient preference for utility self-generation and removes barriers for non-utility generation where such generation is cost-effective, thereby increasing competition and creating a downward pressure on power generation costs. *See In re Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services by Public Utilities*, 75 F.E.R.C. P61,080, at § III.C (1996) ("Congress recognized that the rising costs and decreasing efficiencies of utility-owned generating facilities were increasing rates and harming the economy as a whole."); *see also FERC v. Mississippi*, 456 U.S. 742, 750-751 (1982).

Accordingly, Indiana's PURPA policy implementation is "to encourage the development of alternate energy production facilities, cogeneration facilities, and small hydro facilities in order to conserve our finite and expensive energy resources and to provide for their most efficient utilization." Burns Ind. Code Ann. § 8-1-2.4-1. Indiana's implementation contains positive requirements that could encourage QF development, such as requiring long-term contracts and the establishment of standard contracts. *See* Burns Ind. Code Ann. § 8-1-2.4-4(a); 170 IAC 4-4.1-11. However, as will be shown below, utilities in Indiana are not complying with such requirements, and therefore Indiana utilities are falling short of the state's explicit policy to "encourage the development of alternate energy production facilities."

PURPA is the only federal law that requires competition in states that have not restructured their electricity markets. PURPA accomplishes this through its mandatory purchase

obligation that ties the rates for purchase to a utility's avoided cost. Tying rates to avoided costs (1) ensures no subsidization occurs, (2) protects ratepayer interests, and (3) provides ratepayers the benefit of low-cost renewable generation.

State regulators and stakeholders are increasingly focused on PURPA in light of the dramatic reduction in renewable energy development costs. With the growing relevance of PURPA, other states are updating their implementation for the first time in over two decades. For instance, the Michigan Public Service Commission ("MPSC") has been conducting a process to update its PURPA implementation. Beginning in late 2015, the MPSC ordered the creation of a working group to investigate the state's implementation of PURPA and invited all utilities, developers, and other interested stakeholders to participate.[1]

In 2016, the investigation culminated in the MPSC's Staff publishing a report detailing the state's implementation with recommendations on how the MPSC could modernize its PURPA implementation.[2] The MPSC then instituted dockets for each regulated utility to modernize its PURPA implementation and to determine, among other things, (1) the appropriate avoided cost methodology, (2) adequate term length for standard contracts, and (3) adequate procedures to encourage development of QFs.[3] The MPSC ordered Michigan utilities to offer long-term contracts, and concluded that QF development could benefit ratepayers in several ways, such as offsetting or deferring the construction of large utility power plants. As the Commission recognized, "there is significant ratepayer value in deferring large, capacity additions through contracting with QFs for incremental capacity."[4]

ELPC played a key role in Michigan's update as an active participant in the investigation and as an intervenor in the subsequent dockets opened for each utility. ELPC has also participated as an intervenor in Iowa's 2017 update to its PURPA implementation[5] and as intervenors in an ongoing complaint case between a QF and utility in Minnesota, which could result in Minnesota updating its PURPA implementation for the first time in over a decade.[6] ELPC and CAC respectfully request that the Commission deny I&M's 30-day filing and follow the lead of other Midwestern states to ensure that Indiana utilities are in full compliance with state and federal law.

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[1] *See generally In re, on the Commission's own motion, commencing an investigation into the continuing appropriateness of the Commission's current regulatory implementation of the Public Utility Regulatory Policies Act of 1978*, Case No. U-17973, Order Commencing Investigation (Oct. 27, 2015) *available at* https://perma.cc/4ZVM-XFVD.

[2] *Id*., PURPA TECHNICAL ADVISORY COMMITTEE, Report on the Continued Appropriateness of the Commission's Implementation of PURPA (April 8, 2016) *available at* https://perma.cc/7JFL-HWEK.

[3] *See generally In re Consumers Energy Co., et al.*, Case Nos. U-18089, U-18090, U-18091, U-18092, U-18093, U-18094, U-18095, Order (May 3, 2016) *available at* https://perma.cc/B739-R7B5.

[4] *In re Consumers Energy Co*., Case No. U-18090, Order at 18, (Mich. Pub. Serv. Comm'n May 31, 2017) *available at* https://perma.cc/4K2Z-5WWW.

[5] *See generally In re Interstate Power and Light Co*., Docket No. TF-2016-0290 (Iowa Util. Bd.); *In re MidAmerican Energy Co*., Docket No. TF-2016-0294 (Iowa Util. Bd.).

[6] *See generally Red Lake Falls Community Hybrid, LLC v. Otter Tail Power Co*., Docket No. 16-1021 (Minn. Pub. Util. Comm'n).

OBJECTIONS

OBJECTION ONE: I&M's 30-Day Filing Fails to Contain a Long-Term Contract and Contract Term Length, Both of Which are Required by Indiana Law.

There are three requirements applicable to the standard contracts required in Indiana. First, Indiana law requires electric utilities to enter into "long term" contracts for the purchase of energy and capacity by PURPA QFs. Burns Ind. Code Ann. § 8-1-2.4-4(a). Second, Indiana's PURPA regulations require electric utilities to file a standard contract that must include "[t]he term of the contract." 170 IAC 4-4.1-11(c)(1). Third, federal law requires that long-term contracts include the ability to obtain fixed rates. 18 C.F.R. § 292.304(d)(2)(ii); *see also Winding Creek Solar LLC v. Peevey*, No. 13-04934, 2017 WL 6040012, at *9 (N.D. Cal. 2017) (finding that a standard contract violates PURPA if it fails to contain an option to obtain fixed rates). "[S]tate regulatory authorities cannot preclude a QF — even an intermittent QF — from obtaining a legally enforceable obligation with a forecasted avoided cost rate." *Windham Solar LLC and Allco Finance Limited*, 157 F.E.R.C. P61,134, at ¶ 6 (2016).

I&M's 30-day filing fails to contain a standard contract, as required by 170 IAC 4-4.1-11. In contrast, Duke Energy Indiana has filed its standard contract every year since 2013.[7] In addition, Counsel for Objectors used reasonable efforts to locate I&M's standard contract but was unsuccessful. Counsel for Objectors:

> (1) Searched on I&M's website, including through I&M's rate book published online, but was unable to find the standard contract on I&M's website;
> (2) Reviewed all of I&M's 30-day PURPA filings dating back to 2009, which the Commission archived on its website,[8] but I&M has not filed a standard contract in any of its 30-day filings dating back to 2009; and
> (3) Contacted I&M through the contact information on its 30-day filing, but the representative was unsure whether such a standard contract existed. The representative directed Counsel for Objectors to I&M's webpage containing its net-metering interconnection application and the sample contract for net-metering interconnection, neither of which contained a specified term length.[9]

The lack of a long-term, fixed rate standard contract has likely discouraged developers from pursuing projects in Indiana. I&M's currently effective PURPA tariff references a contract but it limits it to a maximum length of 5 years, see Exhibit B at 4, and there is no indication of whether the rate is fixed over the term or whether a longer term standard contracts exists.

The lack of a legally required, long-term contract with fixed rates in I&M's 30-day filing is important because the lack of long-term, fixed-rate contracts both violates the specific

[7] *See* IURC 30-Day Filing Nos. 50119 (2018), 50038 (2017), 3429 (2016), 3319 (2015), 3225 (2014), 3141 (2013).
[8] 30-day filings from 2009 to 2018 can be found at: https://www.in.gov/iurc/2514.htm
[9] Standard interconnection agreement available at https://www.indianamichiganpower.com/global/utilities/lib/docs/builders/IndianaNetMeteringServiceCustomerPackage.pdf. The term can be found on page 6 of 7, ¶ 11, of the sample interconnection agreement (on page 16 of 20 of the PDF).

requirements of Indiana law *and* inhibits the development of QFs across Indiana, thus failing to promote Indiana's policy of encouraging QF development. *See* Burns Ind. Code Ann. § 8-1-2.4-1. The Federal Energy Regulatory Commission ("FERC"), the agency delegated authority to promulgate federal regulations and enforce PURPA, recognized that long-term contracts with QFs must be "long enough to allow QFs reasonable opportunities to attract capital from potential investors." *Windham Solar LLC and Allco Finance Limited*, 157 F.E.R.C. P61,134, at ¶ 8 (2016).

The 5-year contract referenced in I&M's effective tariff, Exhibit B at 4, is too short to encourage development of QFs because it would be prohibitively difficult to obtain QF project financing with only 5-year contracts. It would be even more difficult to encourage development if the contracts do not offer fixed rates, which the tariff does not indicate are possible. In order to secure project financing, there must be available standard contracts with terms longer than 5 years with fixed rates.

Other states recognize the link between the availability of long-term, fixed-rate contracts and the encouragement of QF development. For instance, during Michigan's recent update to its PURPA implementation, the MPSC required utilities to offer 20-year standard contracts because it "found persuasive the claim that longer contracts would benefit both QFs and the [utility] by allowing better access to investment and financing. . ."[10] The Oregon Public Utility Commission ("OPUC"), in setting standard contract terms at 20 years, concluded that such a term length was necessary "to ensure the terms of the standard contract facilitate appropriate financing for a QF project."[11] The Wyoming Public Service Commission concluded that long-term standard contracts are necessary for financing and that 20-year contract terms are "adequate for obtaining a QF project financing."[12]

Short-term contracts do not encourage QF development because short-term contracts make financing QFs prohibitively difficult. To illustrate, compare the number of PacifiCorp's QF contracts in Washington, which has 5-year terms[13], to other states in which PacifiCorp operates. In Oregon and Wyoming where 20-year contract terms are required, PacifiCorp has **twenty-eight QF contracts** and **eight QF contracts**, respectively.[14] In Utah where 15-year contract terms are required, PacifiCorp has **twenty-six QF contracts**.[15] In contrast, the company has **only three QF contracts in Washington,** which again only allows for 5-year terms in its standard contract.[16]

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[10] *In re Consumers Energy Co*., Case No. U-18090, Order at 22-23, (Mich. Pub. Serv. Comm'n May 31, 2017) *available at* https://perma.cc/4K2Z-5WWW.

[11] *In re Investigation Relating to Electric Utility Purchases from QFs*, OPUC Docket No. UM 1129, Order No. 05-584 at 19 (Ore. Pub. Util. Comm'n May 13, 2005) *available at* https://perma.cc/C5YX-R3GG.
In 2014, the OPUC reaffirmed the 20-year standard contract term length. *In re Investigation into QF Contracting*, OPUC Docket No. UM 1610, Order No. 14-058 (Feb. 24, 2014) *available at* https://perma.cc/HL76-YJUG.

[12] *In re the Application of RMP to Implement a Permanent Avoided Cost Methodology for Customers that do Not Qualify for Tariff Schedule 37 – Avoided Cost Purchases from QFs*, WPSC Docket No. 20000-388-EA-11, Record No. 12750, Order No. 20416 at 19 (Wyo. Pub. Serv. Comm'n Nov. 4, 2011) *available at* https://perma.cc/EC8Q-FE4L.

[13] See PacifiCorp, dba Pacific Power & Light Co., Schedule 37, Sheet No. 37.2 *available at* https://perma.cc/97YD-LWKX.

[14] *See* PacifiCorp 2017 Integrated Resource Plan at 78-79, a*vailable at* https://perma.cc/2JVR-U7SQ.

[15] *Id*.

[16] *Id.*

Long-term contracts are vitally important to promoting QF development and furthering the policy goals of PURPA. I&M's failure to include a standard contract renders its 30-day filing in violation of applicable Indiana law requiring long-term standard contracts and a defined term length. Burns Ind. Code Ann. § 8-1-2.4-4(a); 170 IAC 4-4.1-11(c)(1).

OBJECTION TWO: I&M's 30-Day Filing Fails to Contain Avoided Cost Information Required by 18 C.F.R. § 292.302(b).

Federal regulations require electric utilities to biennially file three categories of avoided cost information with the Commission and utilities must maintain this information for "public inspection." 18 C.F.R. 292.302(b). First, utilities are required to submit 5-year estimates of their avoided energy costs. § 292.302(b)(1). Second, utilities are required to submit planned capacity additions over the next 10 years. § 292.302(b)(2). Third, utilities are required to submit the cost estimates for such capacity additions. § 292.302(b)(3).

I&M's 30-day filing at issue in this Objection fails to contain the avoided cost information required by 18 C.F.R. § 292.302(b)(2)-(3), and I&M's 2017 30-day filing, IURC 30-Day Filing No. 50037, also fails to contain this required information. In addition, Objectors are not aware of I&M filing this required avoided cost information with the Commission in any other docket. Therefore, I&M's 30-day filing at issue in this docket fails to comply with applicable federal law by not containing some of the required biennial avoided cost information.

I&M's 30-day filing does contain the information required by 18 C.F.R. § 292.302(b)(1). *See* Exhibit A at 14.

CONCLUSION

Objectors respectfully request the Commission:

(1) Find that this Objection complies with 170 IAC 1-6-7, and that I&M's 30-day filing, IURC 30-Day Filing No. 50125, not be presented to the full Commission for consideration under the 30-day administrative filing rule until these deficiencies are rectified;

(2) Require I&M to file a standard contract with a defined term of sufficient length and the ability to fix rates over the term of the contract;

(3) Open a statewide docket to investigate PURPA implementation in Indiana. This investigation could examine and establish sufficient standard contract term lengths, whether the current avoided cost methodology adequately represents I&M's avoided costs, and any other issues the Commission deems desirable.

(signatures below)

Dated March 23, 2018

Respectfully submitted,

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Received: March 1, 2018
IURC 30-Day Filing No.: 50125
Indiana Utility Regulatory Commission

An AEP Company

BOUNDLESS ENERGY™

Indiana Michigan Power

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Fort Wayne, IN 46801
IndianaMichiganPower.com

Secretary of the Commission
Indiana Utility Regulatory Commission
PNC Center
101 West Washington Street, Suite 1500 East
Indianapolis, Indiana 46204

March 1, 2018

Dear Secretary:

Pursuant to 170 IAC 1-6, I&M submits this thirty-day filing requesting approval of amendments to I&M's Tariff COGEN/SPP (Cogeneration and/or Small Power Production Service) which is being submitted pursuant to 170 Ind. Admin. Code 4-4.1-10.

In support of this 30-Day filing, I&M is submitting the following information:

1. Indiana Michigan Power Company's proposed updates to Tariff COGEN/SPP (Cogeneration and/or Small Power Production Service) in clean and redline format.
2. Supporting workpapers.
3. Verified Statement of Publication.

Upon completion of your review, please return to us one set of the stamped approved tariff sheets.

If you have any questions regarding I&M's filing please contact me at (260) 408-3536 or at my email address kccooper@aep.com.

Sincerely,

Kurt C. Cooper
Regulatory Consultant Principal

Enclosures

cc: Jane Steinhauer-IURC
William I. (Bill) Fine-OUCC

I.U.R.C. NO. 16 **SIXTH REVISED SHEET NO. 27.2**
INDIANA MICHIGAN POWER COMPANY **CANCELS FIFTH REVISED SHEET NO. 27.2**
STATE OF INDIANA

TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)

(Cont'd from Sheet No. 27.1)

Additional Charges.

There shall be additional charges to cover the cost of special metering, safety equipment, and other local facilities installed by the Company due to COGEN/SPP facilities, as follows:

(1) Metering Charges

The additional charge for special metering facilities shall be as follows:

(a) Option 1

Where the customer does not sell electricity to the Company, a detent shall be used on the energy meter to prevent reverse rotation. The cost of such meter alteration shall be paid by the customer as part of the Local Facilities Charge.

(b) Options 2 & 3

Where energy meters are required to measure the excess energy and average on-peak capacity purchased by the Company or the total energy and average on-peak capacity produced by the customer's COGEN/SPP facilities, the cost of the additional metering facilities shall be paid by the customer as part of the Local Facilities Charge. In addition, a monthly metering charge shall be as follows to cover the cost of operation and maintenance of such additional facilities:

	Single Phase	Polyphase	
Standard Measurement	$1.75	$2.25	II
TOD Measurement	$1.90	$2.30	II

Under Option 3, when metering voltage for COGEN/SPP facilities is the same as the Company's delivery voltage, the customer shall, at his option, either route the COGEN/SPP totalized output leads through the metering point or make available at the metering point for the use of the Company and as specified by the Company metering current leads which will enable the Company to measure adequately the total electrical energy and average on-peak capacity produced by the qualifying COGEN/SPP facilities, as well as to measure the electrical energy consumption and capacity

(Cont'd on Sheet No. 27.3)

ISSUED BY
TOBY L. THOMAS
PRESIDENT
FORT WAYNE, INDIANA

COMMENCING WITH THE FIRST BILLING CYCLE
IN THE MONTH OF _____

ISSUED UNDER AUTHORITY OF THE
INDIANA UTILITY REGULATORY COMMISSION
DATED _____
30-DAY FILING NO. _____

TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)

(Cont'd from Sheet No. 27.2)

requirements of the customer's total load. When metering voltage for COGEN/SPP facilities is different from the Company's delivery voltage, metering requirements and charges shall be determined specifically for each case.

(2) Local Facilities Charge

Additional charges to cover the cost of special metering facilities, safety equipment, and other local facilities installed by the Company shall be determined by the Company for each case and collected from the customer. The customer shall make a one-time payment for such charges upon completion of the required additional facilities or, at the customer's option, 12 consecutive equal monthly payments reflecting an annual interest charge equal to the maximum rate permitted by law not to exceed the prime rate in effect at the first billing for such installments.

Monthly Credits or Payments for Energy and Capacity Deliveries.

(1) Energy Credit

The following credits or payments from the Company to the customer shall apply for the electrical energy delivered to the Company:

Standard Meter		I
All kWh	2.91¢	
TOD Meter		
On-peak kWh	3.50¢	I
Off-peak kWh	2.48¢	I

(2) Capacity Credit

If the customer contracts to deliver a specified average capacity during the on-peak monthly billing period (on-peak contract capacity), then the first-year monthly capacity credit or payment from the Company to the customer shall be $7.02/kW times the lowest of: R

(a) monthly on-peak contract capacity, or

(b) current month on-peak metered average capacity, i.e., on-peak kWh delivered to the Company divided by 305, or T

(Cont'd on Sheet No. 27.4)

I.U.R.C. NO. 16
INDIANA MICHIGAN POWER COMPANY
STATE OF INDIANA

~~FIFTH~~ SIXTH REVISED SHEET NO. 27.2
CANCELS ~~FOURTH~~ FIFTH REVISED SHEET NO. 27.2

TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)

(Cont'd from Sheet No. 27.1)

Additional Charges.

There shall be additional charges to cover the cost of special metering, safety equipment, and other local facilities installed by the Company due to COGEN/SPP facilities, as follows:

(1) Metering Charges

The additional charge for special metering facilities shall be as follows:

(a) Option 1

Where the customer does not sell electricity to the Company, a detent shall be used on the energy meter to prevent reverse rotation. The cost of such meter alteration shall be paid by the customer as part of the Local Facilities Charge.

(b) Options 2 & 3

Where energy meters are required to measure the excess energy and average on-peak capacity purchased by the Company or the total energy and average on-peak capacity produced by the customer's COGEN/SPP facilities, the cost of the additional metering facilities shall be paid by the customer as part of the Local Facilities Charge. In addition, a monthly metering charge shall be as follows to cover the cost of operation and maintenance of such additional facilities:

	Single Phase	Polyphase	
Standard Measurement	$~~1.50~~1.75	$~~1.95~~2.25	II
TOD Measurement	$~~1.65~~1.90	$~~2.00~~2.30	II

Under Option 3, when metering voltage for COGEN/SPP facilities is the same as the Company's delivery voltage, the customer shall, at his option, either route the COGEN/SPP totalized output leads through the metering point or make available at the metering point for the use of the Company and as specified by the Company metering current leads which will enable the Company to measure adequately the total electrical energy and average on-peak capacity produced by the qualifying COGEN/SPP facilities, as well as to measure the electrical energy consumption and capacity

(Cont'd on Sheet No. 27.3)

I.U.R.C. NO. 16 **~~FIFTH~~ SIXTH REVISED SHEET NO. 27.3**
INDIANA MICHIGAN POWER COMPANY **CANCELS ~~FOURTH~~ FIFTH REVISED SHEET NO. 27.3**
STATE OF INDIANA

TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)

(Cont'd from Sheet No. 27.2)

requirements of the customer's total load. When metering voltage for COGEN/SPP facilities is different from the Company's delivery voltage, metering requirements and charges shall be determined specifically for each case.

(2) Local Facilities Charge

Additional charges to cover the cost of special metering facilities, safety equipment, and other local facilities installed by the Company shall be determined by the Company for each case and collected from the customer. The customer shall make a one-time payment for such charges upon completion of the required additional facilities or, at the customer's option, 12 consecutive equal monthly payments reflecting an annual interest charge equal to the maximum rate permitted by law not to exceed the prime rate in effect at the first billing for such installments.

Monthly Credits or Payments for Energy and Capacity Deliveries.

(1) Energy Credit

The following credits or payments from the Company to the customer shall apply for the electrical energy delivered to the Company:

Standard Meter		
All kWh	~~2.88~~2.91¢	~~R~~I
TOD Meter		
On-peak kWh	~~3.49~~3.50¢	~~R~~I
Off-peak kWh	~~2.45~~2.48¢	~~R~~I

(2) Capacity Credit

If the customer contracts to deliver a specified average capacity during the on-peak monthly billing period (on-peak contract capacity), then the first-year monthly capacity credit or payment from the Company to the customer shall be $~~7.54~~7.02/kW times the lowest of: R

(a) monthly on-peak contract capacity, or

(b) current month on-peak metered average capacity, i.e., on-peak kWh delivered to the Company divided by ~~303~~305, or T

(Cont'd on Sheet No. 27.4)

ISSUED BY
TOBY L. THOMAS
PRESIDENT
FORT WAYNE, INDIANA

COMMENCING WITH THE FIRST BILLING CYCLE
IN THE MONTH OF ~~MAY 2017~~

ISSUED UNDER AUTHORITY OF THE
INDIANA UTILITY REGULATORY COMMISSION
DATED ~~APRIL 5, 2017~~
30-DAY FILING NO. ~~50037~~

Indiana Michigan Power Company
Calculation of COGEN/SPP Charges/Credits
Per Final Rule in IURC Cause No. 37494

I. Assumptions

		Variable	Value
A)	Capital Cost per kW of Capacity	V	$740 /kW
B)	Weighted Cost of Capital **	R	7.55%

		Balance * Last Case ($)	Capitalization Ratio **	Current Cost Rate	Weighted Cost of Debt
1)	Long Term Debt	1,563,320,246	47.47%	4.95%	2.35%
2)	Preferred Equity	8,072,400	0.26%	0.00%	0.00%
3)	Common Equity	1,721,707,204	52.28%	9.95%	5.20%
4)	Total	3,293,099,850	100.00%		7.55%

C)	Carrying Charge Rate	CCR	11.27%
D)	Operation & Maintenance Cost per Year (Fixed & Variable)	O	$19.27 /kW
E)	Line Losses	L	5.80%
F)	Estimated Unit Life	N	30 years
G)	Present Value of Carrying Charge for $1 Investment for N years	D	1.3246
H)	Fixed Operation and Maintenance Cost Escalation Rate	IO	2.00%
I)	Construction Cost Escalation Rate	IP	2.00%

* Per Commission order in IURC Cause No. 44075, page 44.
** I&M agreed to use 100% embedded capital cost

II. Calculation of Present Value of Carrying Charge

$$D = CCR \times \frac{(1+R)^N - 1}{R \times (1+R)^N}$$

$$D = 11.27\% \times \frac{7.8779}{0.6703} = \mathbf{1.3246}$$

III. Calculation of Unadjusted Monthly Avoided Cost of Capacity

$$C = \left(\frac{1}{12}\right) \times \left[\frac{\left(D \times V \times \frac{S1}{S2} \times S3\right) + (S4 \times S5)}{S6}\right]$$

Where:

$$S1 = 1 - \frac{1 + IP}{1 + R}$$

$$S2 = 1 - \left(\frac{1 + IP}{1 + R}\right)^{N}$$

$$S3 = (1 + IP)^{(T-1)}$$

$$S4 = O \times \left(\frac{1 + IO}{1 + R}\right)$$

$$S5 = (1 + IO)^{(T-1)}$$

$$S6 = 1 - \frac{L}{2}$$

Calculation for First Year

T =	1		
S1 =	0.0516	S4 =	18.2756
S2 =	0.7960	S5 =	1.0000
S3 =	1.0000	S6 =	0.9710

$$C = \left(\frac{1}{12}\right) \times \left[\frac{\left(1.3246 \times 740 \times \frac{0.0516}{0.7960} \times 1\right) + (18.2756 \times 1)}{0.9710}\right]$$

C = $7.02

Indiana Michigan Power Company
Calculation of COGEN/SPP Charges/Credits
Per Final Rule in IURC Cause No. 37494

Cost Calculations (Support Page 1, Assumptions A & D)

I. Fixed Operations & Maintenance Cost per kW (2018 Dollars)

Fixed Operations & Maintenance Cost		5.82	mills/kWh
Hours per Year	x	8,760	hours
Unit Size	x	513,000	kW
Capacity Factor	x	10.00%	
Total Fixed O&M Cost		$2,615,438	/year
Unit Size	/	513,000	kW
Per Unit Fixed O&M Cost		$5.10	/kW

II. Variable Operations & Maintenance Cost per kW (2018 Dollars)

Variable Operations & Maintenance Cost		16.18	mills/kWh
Hours per Year	x	8,760	hours
Unit Size	x	513,000	kW
Capacity Factor	x	10.00%	
Total Variable O&M Cost		$7,271,098	/year
Unit Size	/	513,000	kW
Per Unit Variable O&M Cost		$14.17	/kW

III. Total Operations & Maintenance Cost per kW (2018 Dollars)

Fixed O&M Cost		$5.10	/kW
Variable O&M Cost	+	14.17	/kW
Total O&M Cost (Page 1, Assumption D)		**$19.27**	/kW

Indiana Michigan Power Company
Calculation of COGEN/SPP Charges/Credits
Per Final Rule in IURC Cause No. 37494

I. **Calculation of Annual Carrying Charge Rate (Page 1, Assumption C)**			Variable	Value
Weighted Cost of Capital			R	7.55%
Property Tax Rate:				
Account 4081005 - State of Indiana, 12/17		17,511,328		
Electric Plant in Service - State of Indiana, 12/17	/	3,846,083,956		
Property Tax Rate			a	0.46%
Insurance Rate:				
Account 9240000, 12/17		4,235,382		
Electric Plant in Service - Total Company, 12/17	/	7,523,419,998		
Insurance Rate			p	0.06%
Depreciation Rate			d	1.72%
Composite Tax Rate			ct	26.54%
Book Depreciation			bd	3.33%
Rate on Debt Capital			b	4.95%
Debt Ratio from last filed rate case (IURC Cause No. 43306)			dr	47.47%

$$CCR = R + a + p + d + \left[\left(\frac{ct}{1-ct}\right)\times(R + d - bd)\times\left(\frac{R-(b\times dr)}{R}\right)\right]$$

CCR = **11.27%**

Indiana Michigan Power Company
Calculation of COGEN/SPP Charges/Credits
Per Final Rule in IURC Cause No. 37494

I. Energy Payment Calculation

		On-Peak	Off-Peak	Non-TOD	
A. Potential Loss Savings					
Primary Losses				5.20%	
Divided by 2			/	2	
Loss Adjustment (Potential Loss Savings)				2.60%	
B. Time-of-Day Energy Payments					
Avoided Energy Costs		3.41	2.42		¢/kWh
Divided by (1 - Loss Savings)	/	0.9740	0.9740		
Time-of-Day Energy Payments		**3.50**	**2.48**		¢/kWh
C. Non-Time-of-Day Energy Payment					
Time-of-Day Energy Payments		3.50	2.48		¢/kWh
Hours per Year *	x	3,654	5,106		hours
Weighted Average of Hourly TOD Payments		12,789	12,663	25,452	
Hours Per Year				8,760	
Non-Time-of-Day Energy Payment				**2.91**	¢/kWh

* On-Peak Period per Cogen tariff is 7am - 9pm, Monday through Friday
Off-Peak Period is all other hours

II. Demand and Energy Loss Calculations **

System	Demand	Energy
Transmission	2.914%	2.293%
Subtransmission	0.649%	0.798%
Primary		
Transformer	0.713%	0.759%
Line	1.419%	1.286%
Compound Loss Factor	**5.8%**	**5.2%**

** Assuming COGEN/SPP Service at Primary

Indiana Michigan Power Company
Calculation of COGEN/SPP Charges/Credits
Per Final Rule in IURC Cause No. 37494

I. Annual Carrying Charge Rates

	Variable	Value
Fixed Costs		0%
O&M		2.8%
Carrying Costs	**CC**	**2.8%**

II. Charges

Contingencies		5%
Stores Expense		9%
Total Charges on Material	**MC**	**14%**
Labor		58%
Transportation Expense		21%
Total Charges on Labor	**LC**	**79%**

III. Overheads

Company Construction Overheads	**OC**	36%

IV. Monthly Charge on Incremental Material

IM = Incremental Material Cost
IL = Incremental Labor Cost (50% of Material) = 0.5 x IM

$$Monthly\ Charge\ on\ IM = (1+OC) \times [(1+MC) \times IM + (1+LC) \times IL] \times \frac{CC}{12}$$

Monthly Charge on IM = **0.65%** of Incremental Material Cost

V. Monthly Meter Charges

	Incremental Material (IM)	Monthly Charge 0.65%			Average Charge
Standard Measurement					
Single Phase					
Option 2-1 - Primary - Transformer Rated	420	$2.73			
Option 2-3 - Secondary - Self-Contained	36	0.23			
Option 3-1 - Primary - Transformer Rated	420	2.73			
Option 3-3 - Secondary - Transformer Rated	420	2.73			
Option 3-5 - Secondary - Self Contained	36	0.23			
Total		$ 8.65	/ 5	=	$1.73
			Use:		**$1.75**
Polyphase					
Option 2-2 - Primary - Transformer Rated	420	$2.73			
Option 2-4 - Secondary - Self-Contained	230	1.5			
Option 3-2 - Primary - Transformer Rated (or Sec. >200 Amps)	420	2.73			
Option 3-4 - Secondary - Transformer Rated (Below 200 Amps)	420	2.73			
Option 3-6 - Secondary - Self Contained (Below 200 Amps)	230	1.5			
Total		$ 11.19	/ 5	=	$2.24
			Use:		**$2.25**
Time-of-Day Measurement					
Single Phase					
Option 2-5 - Primary - Transformer Rated	429	$2.79			
Option 2-7 - Secondary - Self-Contained	147	0.96			
Option 3-7 - Primary - Transformer Rated	429	2.79			
Option 3-9 - Secondary - Transformer Rated	429	2.79			
Option 3-11 - Secondary - Self Contained	36	0.23			
Total		$ 9.56	/ 5	=	$1.91
			Use:		**$1.90**
Polyphase					
Option 2-6 - Primary - Transformer Rated	429	$2.79			
Option 2-8 - Secondary - Self-Contained	239	1.55			
Option 3-8 - Primary - Transformer Rated	429	2.79			
Option 3-10 - Secondary - Transformer Rated	429	2.79			
Option 3-12 - Secondary - Self Contained	239	1.55			
Total		$ 11.47	/ 5	=	$2.29
			Use:		**$2.30**

Indiana Michigan Power Company
Calculation of COGEN/SPP Charges/Credits
Per Final Rule in IURC Cause No. 37494

I. Diversity Ratio Development

Annual Total GS-Secondary Billing Demand	9,029,951	kW
Divided by 12	12	months
Average Monthly Billing Demand	752,496	kW
Average Monthly Coincident Peak Demand*	390,036	kW
Diversity Ratio	**1.929**	

* Data from Rate Design & Cost-of-Service in IURC Cause No. 44075 (WP-DMR-17, pg. 60)

II. Back-Up Service Rate Calculation

Current GS - Secondary Demand Charge	$4.695	/kW
Diversity Ratio	1.929	
Coincident Peak Demand Cost	$9.057	/kW
Typical Unavailability Rate	15%	
Back-Up Service Rate	**$1.359**	/kW

INDIANA MICHIGAN POWER COMPANY
ESTIMATED "AVOIDED COSTS" OF ENERGY
FOR ASSUMED LEVELS OF COGENERATION PURCHASES
2018 - 2023
(Cents Per Kilowatt-Hour)

	ASSUMED COGENERATION PURCHASE LEVEL			
	First 100-MW Block		Second 100-MW Block	
	Peak	Off-Peak	Peak	Off-Peak
2018	3.41	2.42	3.41	2.42
2019	4.12	3.04	4.12	3.04
2020	4.31	3.25	4.31	3.25
2021	4.45	3.35	4.45	3.35
2022	4.60	3.46	4.60	3.46
2023	4.75	3.53	4.75	3.53

Note: The peak costing period is 0700 to 2100 local time Monday through Friday. All other hours comprise the off-peak costing period. Energy costs are expressed in current-year dollars.

I&M-AvoidCostFeb18 2/18

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

VERIFIED STATEMENT OF PUBLICATION

Kurt C. Cooper, being duly sworn upon oath, deposes and says that:

1. I am a Regulatory Consultant Principal for Indiana Michigan Power Company (I&M).

2. Pursuant to 170 IAC 1-6-5(a), I affirm that affected customers have been notified of I&M's thirty-day filing of an updated Tariff COGEN/SPP (Cogeneration and/or Small Power Production Service) for purchase of energy and capacity at rates derived from the application of regulations.

3. Notification of the thirty-day filing updating Tariff COGEN/SPP (Cogeneration and/or Small Power Production Service) was made by publication of a Legal Notice in a newspaper of general circulation that has a circulation encompassing the highest number of I&M's customers, and posting the notice on I&M's website.

4. A true and correct copy of I&M's Legal Notice is attached hereto as Exhibit "A".

Date: March 1, 2018

Kurt C. Cooper
Regulatory Consultant Principal
Indiana Michigan Power Company

STATE OF INDIANA)
) ss:
COUNTY OF ALLEN)

Subscribed and sworn to before me, a Notary Public, in and for said County and State this 1st day of March 2018.

Regiana M. Sistevaris, Notary Public

I am a resident of Allen County, Indiana.
My commission expires: January 7, 2023

Legals - 905

LEGAL NOTICE STATE OF INDIANA INDIANA UTILITY REGULATORY COMMISSION Indiana Michigan Power Company (I&M), an Indiana corporation, gives notice that on or before March 2, 2018, it will submit for approval under the Indiana Utility Regulatory Commission's thirty-day filing process an updated Tariff COGEN/SPP for purchase of energy and capacity at rates derived from the application of regulations. The referenced filing will consist of Indiana Michigan Power Company's proposed 2018 Tariff COGEN/SPP (Cogeneration and/or Small Power Production Service). Customers potentially affected by this filing include alternate energy production facilities, cogeneration facilities, or small hydro facilities located in the Indiana Michigan Power Company service territory. Those customers may be affected by changes in metering charges related to special metering facilities, and by monthly credits or payments for energy and capacity deliveries. A decision on the proposed revisions to Tariff COGEN/SPP is expected from the Indiana Utility Regulatory Commission on or before April 15, 2018. Please direct inquiries to: Indiana Michigan Power Company Attn: Director of Regulatory Services P.O. Box 60 Fort Wayne, IN 46801 Objections to this filing can be made to the following: Indiana Utility Regulatory Commission Attn: Commission Secretary PNC Center 101 West Washington Street Suite 1500 East Indianapolis, Indiana 46204 Indiana Office of Utility Consumer Counselor PNC Center 115 W. Washington Street Suite 1500 South Indianapolis, Indiana 46204 3--1 1319353 hspaxlp

Ad Id: 7474399 (0001319353-01) originally listed in Fort Wayne Newspapers on 3/1/2018

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I.U.R.C. NO. 16 **ORIGINAL SHEET NO. 27**
INDIANA MICHIGAN POWER COMPANY
STATE OF INDIANA

TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)

Availability of Service.

This schedule is available to customers with cogeneration and/or small power production (COGEN/SPP) facilities which qualify under Section 210 of the Public Utilities Regulatory Policies Act of 1978 and have a total design capacity of 100 kW or less. Such facilities shall be designed to operate properly in parallel with the Company's system without adversely affecting the operation of equipment and services of the Company and its customers and without presenting safety hazards to the Company and customer personnel.

The customer has the following options under this schedule, which will affect the determination of energy and capacity and the monthly metering charges:

(1) Option 1

The customer does not sell any energy or capacity to the Company and purchases from the Company its net load requirements, as determined by appropriate meters located at one delivery point.

(2) Option 2

The customer sells to the Company the energy and average on-peak capacity produced by the customer's qualifying COGEN/SPP facilities in excess of the customer's total load and purchases from the Company its net load requirements, as determined by appropriate meters located at one delivery point.

(3) Option 3

The customer sells to the Company the total energy and average on-peak capacity produced by the customer's qualifying COGEN/SPP facilities while simultaneously purchasing from the Company its total load requirements, as determined by appropriate meters located at one delivery point.

Billing under this schedule shall consist of charges for delivery of electrical energy and capacity from the Company to the customer to supply the customer's net or total load according to the rate schedule appropriate for the customer except as modified herein, plus charges to cover additional costs due to COGEN/SPP facilities as specified herein, less credits for excess or total electrical energy and capacity produced by the customer's qualifying COGEN/SPP facilities as specified herein.

(Cont'd on Sheet No. 27.1)

TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)
(Cont'd from Sheet No. 27)

Monthly Charges for Delivery From the Company to the Customer.

(1) Supplemental Service

Available to the customer to supplement its COGEN/SPP source of power supply which will enable either or both sources of supply to be utilized for all or any part of the customer's total requirements.

Charges for energy, and demand where applicable, to serve the customer's net or total load shall be determined according to the rate schedule appropriate for the customer. Option 1 and Option 2 customers with COGEN/SPP facilities having a total design capacity of more than 10 kW shall be served under demand-metered rate schedules.

(2) Back-up and Maintenance Service

Option 1 and Option 2 customers with COGEN/SPP facilities having a total design capacity of more than 10 kW shall be required to purchase backup service to replace energy from COGEN/SPP facilities during maintenance and unscheduled outages of its COGEN/SPP facilities. Contracts for such service shall be executed on a special contract form for a minimum term of one year.

Option 3 customers purchasing their total energy requirements from the Company will not be considered as taking backup service. Customers having cogeneration and/or small power production facilities that operate intermittently during all months (i.e. wind or solar) such that the customer's monthly billing demands under the demand-metered rate schedule will be based upon the customer's maximum monthly demand which will occur at a time when the cogeneration and/or small power production facility is not in operation will also not be considered as taking backup service. T

The backup capacity in kilowatts shall be initially established by mutual agreement for electrical capacity sufficient to meet the maximum backup requirements which the Company is expected to supply. Whenever the backup capacity so established is exceeded by the creation of a greater actual maximum demand, excluding firm load regularly supplied by the Company, then such greater demand becomes the new backup capacity.

A monthly service charge of $1.359 per kilowatt of backup capacity shall be paid by customers served under demand-metered rate schedules. Whenever backup and maintenance capacity is used and the customer notifies the Company in writing prior to the meter reading date, the backup contract capacity shall be subtracted from the total metered demand during the period specified by the customer for billing demand purposes. After 1,900 hours of use during the contract year, the total metered demand shall be used as the billing demand each month until a new contract year is established. In lieu of the above monthly charge, customers may instead elect to have the monthly billing demand under the demand-metered rate schedules determined each month as the highest of the monthly billing demand for the current and previous two billing periods. I

(Cont'd on Sheet No. 27.2)

TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)

(Cont'd from Sheet No. 27.1)

Additional Charges.

There shall be additional charges to cover the cost of special metering, safety equipment, and other local facilities installed by the Company due to COGEN/SPP facilities, as follows:

(1) Metering Charges

The additional charge for special metering facilities shall be as follows:

(a) Option 1

Where the customer does not sell electricity to the Company, a detent shall be used on the energy meter to prevent reverse rotation. The cost of such meter alteration shall be paid by the customer as part of the Local Facilities Charge.

(b) Options 2 & 3

Where energy meters are required to measure the excess energy and average on-peak capacity purchased by the Company or the total energy and average on-peak capacity produced by the customer's COGEN/SPP facilities, the cost of the additional metering facilities shall be paid by the customer as part of the Local Facilities Charge. In addition, a monthly metering charge shall be as follows to cover the cost of operation and maintenance of such additional facilities:

	Single Phase	Polyphase	
Standard Measurement	$1.50	$1.95	II
TOD Measurement	$1.65	$2.00	II

Under Option 3, when metering voltage for COGEN/SPP facilities is the same as the Company's delivery voltage, the customer shall, at his option, either route the COGEN/SPP totalized output leads through the metering point or make available at the metering point for the use of the Company and as specified by the Company metering current leads which will enable the Company to measure adequately the total electrical energy and average on-peak capacity produced by the qualifying COGEN/SPP facilities, as well as to measure the electrical energy consumption and capacity

(Cont'd on Sheet No. 27.3)

TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)

(Cont'd from Sheet No. 27.2)

requirements of the customer's total load. When metering voltage for COGEN/SPP facilities is different from the Company's delivery voltage, metering requirements and charges shall be determined specifically for each case.

(2) Local Facilities Charge

Additional charges to cover the cost of special metering facilities, safety equipment, and other local facilities installed by the Company shall be determined by the Company for each case and collected from the customer. The customer shall make a one-time payment for such charges upon completion of the required additional facilities or, at the customer's option, 12 consecutive equal monthly payments reflecting an annual interest charge equal to the maximum rate permitted by law not to exceed the prime rate in effect at the first billing for such installments.

Monthly Credits or Payments for Energy and Capacity Deliveries.

(1) Energy Credit

The following credits or payments from the Company to the customer shall apply for the electrical energy delivered to the Company:

Standard Meter		
All kWh	2.88¢	R
TOD Meter		
On-peak kWh	3.49¢	R
Off-peak kWh	2.45¢	R

(2) Capacity Credit

If the customer contracts to deliver a specified average capacity during the on-peak monthly billing period (on-peak contract capacity), then the first-year monthly capacity credit or payment from the Company to the customer shall be $7.54/kW times the lowest of: R

(a) monthly on-peak contract capacity, or

(b) current month on-peak metered average capacity, i.e., on-peak kWh delivered to the Company divided by 303, or T

(Cont'd on Sheet No. 27.4)

I.U.R.C. NO. 16 **ORIGINAL SHEET NO. 27.4**
INDIANA MICHIGAN POWER COMPANY
STATE OF INDIANA

TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)

(Cont'd from Sheet No. 27.3)

(c) lowest on-peak average capacity metered during the previous two months.

Determination of the monthly capacity credits or payments for subsequent years of the contract term shall be made using the formula contained in 170 IAC 4-4.1.

The above energy and capacity credit rates are subject to annual revision as required by the Commission.

On-Peak and Off-Peak Hours.

The on-peak period shall be defined as starting 7 a.m. and ending at 9 p.m., local time, Monday through Friday.

The off-peak period shall be defined as starting at 9 p.m. and ending at 7 a.m., local time, Monday through Friday, and all hours of Saturday and Sunday.

Charges for Cancellation or Non-Performance of Contract.

In the event the contract is terminated or the contract capacity is reduced prior to the end of the contract term, the qualifying COGEN/SPP facility shall refund to the Company the capacity payments in excess of those capacity payments which would have been made had all or the reduced capacity been subject to a capacity rate based on the actual term of delivery to the Company.

Except in the event of force majeure as defined in the contract, if within any 12-month period during the term of the contract ending on the anniversary date of the date of the qualifying COGEN/SPP facility first provided capacity to the Company under the contract the qualifying COGEN/SPP facility fails to provide the Company with the capacity specified in the contract, the capacity for which the qualifying COGEN/SPP facility shall be entitled to capacity payments during the subsequent 12-month period ("the probationary period") shall be reduced to the capacity provided during the prior 12-month period. If during the probationary period the qualifying COGEN/SPP facility provides the capacity specified in the contract, the Company, within 30 days following the end of the probationary period, shall reinstate the full capacity amount originally specified in the contract. If during the probationary period the qualifying COGEN/SPP facility again fails to provide the capacity specified in the contract, the Company may permanently reduce the capacity purchased from the qualifying COGEN/SPP facility for the remainder of the term of the contract. The Company may also require that the reduction in the capacity be subject to the refund provisions of the above paragraph.

Terms of Contract.

Contracts under this tariff will be made for a period not less than one year nor more than five years.